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YOR9-2000-0623 **AFTER FINAL: EXPEDITED ACTION** 00280658aa
Amendment dated 10/20/2004 Reply to office action mailed 07/20/2004

REMARKS

Claims 1-14 and 32-34 are currently pending in the application, claims 15-31 having been withdrawn under traverse in response to a restriction requirement. By this amendment, claims 1, 3 and 32 are amended for the Examiner's consideration. The foregoing separate sheets marked as "Listing of Claims" shows all the claims in the application, with an indication of the current status of each.

The Examiner has rejected claims 1-14 and 32-34 under 35 U.S.C. §103(a) as unpatentable of U.S. Patent No. 6,647,374 to Kansal ("Kansal"). While the applicant maintains that Kansal is not prior art, and that only the first provisional upon which Kansal relies ("Kansal-P1") is prior art, as argued below, it will be helpful to the prosecution of this case to address the insurance aspects of Kansal that are not contained in Kansal-P1. Indeed, it is apparent that although Kansal uses the term "insurance" the description provided by Kansal lacks several important aspects of insurance provided by the present invention. It is an intention of this amendment to clarify that these aspects are elements of the claimed invention, and thereby to overcome the Kansal reference, notwithstanding that Kansal is not prior art with regard to insurance elements, since these elements are not contained in Kansal-P1.

The present invention contemplates participation of a third party (an insurer) in what would ordinarily be a two party contract between a buyer and a seller. In particular, by way of example, the present invention is concerned with a global marketplace where remotely located or untested suppliers claim to provide superior products for a lower price, but where the buyer is without information to substantiate the validity of their claims (page 2, lines 15-21). The function of the third party insurer in the present invention is to provide a mechanism for the buyer to obtain the benefit of information not available to the buyer. It should be noted that in the current global marketplace such information – enabling a suitable familiarity of the buyer with the potential supplier (see page 2, line 15) – is not readily available, and there are

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no third parties (insurers or otherwise) who are making a market for such information. The purpose of the present invention is to enable such a third party market.

Kansal has a similar purpose, but contemplates a market of quite a different kind. It is the same in the sense that the coinage of the desired marketplace is expressed in terms of "risk" and the concept of "insurance" is used to convert that risk into premium dollars usable by a buyer to evaluate alternative suppliers. However, there the similarity ends. Kansal provides a structured request for proposal as a vehicle for obtaining information from a set of suppliers. The information includes bids (price and performance time) disaggregated according to the provided structure. It also includes information about the experience of the candidate supplier with respect to projects of the kind described in the request for proposal. Kansal then shows how the bids can be evaluated in light of experience information so as to produce a metric usable to effectively commoditize the market for the services described in the request for proposal, i.e. remove the relative risk of performance failure. Meeting price and performance time objectives in software projects (the specific area addressed by the Kansal disclosure) is notoriously difficult. It is worth noting that Kansal proposes only a partial and limited commoditization, however, because his method does not quantify risk in an absolute sense, but only "relative risk" within the group of candidate suppliers who respond to the request for proposal.

This much of Kansal is also in Kansal-P1. What Kansal then proposes to do (which is not contained in Kansal-P1) is to sell that metric to insurance companies/guarantors. It is easier to understand with guarantors for a particular transaction, who may be persuaded by the CoreTeck methodology as a matter of salesmanship. In this respect a guarantor is simply an investor, making a bet on CoreTeck's technology. Insurance companies often have large reserves that may also be used for investing, and may similarly be persuaded to back the CoreTeck methodology. But Kansal fails to explain how its methodology – limited as it is to a set of potential bidders on technology services – could provide the kind of transaction

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volume that the business of insurance requires for actuarial assessment of risk. It is more likely that Kansal has in mind persuading an insurance company (or other investor) that its methodology is a workable substitute for an actuarial assessment.

What Kansal proposes may well be a sound business proposition for an insurance company. Be that as it may, Kansal's proposed venture for insurers is nothing like the third party information gathering function described by the present invention. Where Kansal gathers information within the limited context of a set of vendors responsive to a particular proposal, the present invention contemplates an information market independent of the needs of a particular buyer. If a market can be made for the systematic gathering of information relevant to a buyer's risk in taking on an unfamiliar supplier, because a buyer is willing to pay a premium that will "insure" the business risks of dealing with an unfamiliar supplier, and the technology of the Internet enables such information to be gathered at market supporting prices, then third parties (which may be called insurers, but it would be a new class of insurance [see page 5, line 5]) can be expected to enter such a market. But the information gathering and analysis functions of such a market are quite different from what is described or suggested in Kansal. The present invention provides that insurers will have information not simply about particular suppliers identified by a buyer, but will draw from databases sufficiently extensive that they will be able to respond to a wide range of buyers and extract from these databases information pertaining to any particular seller of interest to a buyer (see page 9, lines 11-18, and page 10, lines 10-13, and page 11, lines 3-5).

The claims have been amended to clarify the foregoing aspects of the present invention, which distinguish the third party information gathering and analysis function signified by the term "insurer" from the "insurer/guarantor" described by Kansal.

In addition, to renew the arguments made in the prior response, Kansal describes a "system and method of assessing and rating vendor risk and pricing of

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technology delivery insurance" (emphasis supplied). In particular, Kansal is directed to the application of reverse auction procedures to software development contracts. The method of Kansal involves commoditization of technology service contracts, using a particular formula and business model that includes the intrinsic and two-way rating process of the Kansal invention. Complex contracts are partitioned into various independent modules/phases for the purpose of comparing bids. The understanding of the risk inherent in various components of the contract will allow the insurance company/guarantor to underwrite technology risk (emphasis supplied; para 0005-00006).

As noted in response to the prior office action, the Kansal reference was filed subsequent to the filing date of the present invention. Kansal claims priority from two provisional applications. While one of the provisionals (60/227,513; "Kansal-P1") has a priority date prior to the filing date of the present application, the other provisional (60/290,069; "Kansal-P2") does not. Consequently, Kansal is prior art only with respect to the disclosure contained in Kansal-P1. This is significant because Kansal-P1 fails to disclose the insurance concept contained in Kansal and highlighted in the above paragraph.

The Examiner persists in using Kansal, rather than Kansal-P1, as a reference, and therefore has failed to establish a *prima facie* case under 35 U.S.C. §103(a). The attached Article 132 Declaration by the inventor evaluates the assertions of the Examiner against the Kansal-P1 reference, and demonstrates that the Examiner's reliance upon Kansal is not supported by the Kansal-P1 reference.

Indeed, upon review of Kansal-P1 – which is the only one of the Kansal references that is prior to the filing date of the present invention – it appears that this reference adjusts vendor proposed charges submitted in RFPs, but does not address economic damages at all. It should be noted that Kansal-P1 discloses a methodology particularly suited to software development contracts which can be disaggregated into "function points" as inputs to a reverse auction bidding platform (page 4, step 2:

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"Partition Contract"). The price adjustment for a particular vendor depends upon "the conditional variance of each vendor bid over the set of vendor bids for the given module, normalized by the vendor's average cost per day" (page 5, step 5: "Adjust Bids", para 1: "Price Adjustment"). Clearly, this contemplates an estimate of the "risk" that the particular vendor will in fact require more than the estimated cost to complete the project. The "risk" defined here is measured by comparison among the various bids, with the formula being such that "Vendors with high nominal bids incur a low Price Adjustment whereas Vendors with low nominal bids incur high Price Adjustments" (page 6, the paragraph above "2. Time Adjustment"). Kansal-P1 also provides a second adjustment related to timely delivery of the module (i.e. the module disaggregated in the partitioning of the entire project). The formula for this calculation uses a critical path analysis, and includes a "conditional variance" element that is measured by comparison with other vendors (page 7, "Conditional Variance").

Thus Kansal-P1 is about attempting to compare multiple vendors. By contrast, the present invention is about augmenting what the buyer contracts for, so that they contract for a pair of things: products/services from the vendor, and a paired insurance coverage from an insurer. More importantly, Kansal-P1 does not describe or suggest anything about insurance or insurers or guarantors. Nor is there a need for such concepts in Kansal-P1. The point of the method described in Kansal-P1 is simply to compare vendors, making an adjustment in price that is dependent upon a comparison ("Conditional Variance") with other vendors. There is no reason to suppose that this price adjustment would be acceptable to an insurer as a premium for agreeing to reimburse the buyer for a cost-overrun, and certainly not any damages suffered by the buyer for failure of delivery. The concept of insurance, upon which the Examiner relies (see Kansal, para 0012), is new matter added later and is not part of the prior art of Kansal-P1. Therefore, Kansal is overcome as a reference with regard to claims 1 and 32, which include an insurance element. This also applies to claims 2-14, which depend from claim 1.

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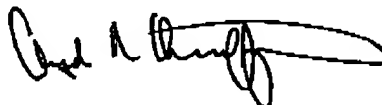
In addition, Kansal's first provisional ("Kansal-P1") assumes that each vendor, if chosen, is going to fulfill the contract independently. The present invention (as made explicit in claim 10) covers the insurance company taking into account supply-chain dependencies for subcontractors of the proposed seller.

In view of the foregoing, it is requested that the application be reconsidered, that claims 1-14 and 32-34 be allowed, that withdrawn claims 15-31 be restored to the prosecution and allowed, and that the application be passed to issue.

Should the Examiner find the application to be other than in condition for allowance, the Examiner is requested to contact the undersigned at 703-787-9400 (fax: 703-787-7557; email: clyde@wcc-ip.com) to discuss any other changes deemed necessary in a telephonic or personal interview.

If an extension of time is required for this response to be considered as being timely filed, a conditional petition is hereby made for such extension of time. Please charge any deficiencies in fees and credit any overpayment of fees to Deposit Account 50-0510 (IBM-Yorktown).

Respectfully submitted,



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